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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/577,798	05/24/2000	Dwight Allen Merriman	11032/5	4541
26646	7590	02/11/2004	EXAMINER	
KENYON & KENYON ONE BROADWAY NEW YORK, NY 10004			HARLE, JENNIFER I	
			ART UNIT	PAPER NUMBER
			3627	

DATE MAILED: 02/11/2004

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**BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES**

Paper No. 32

Application Number: 09/577,798  
Filing Date: May 24, 2000  
Appellant(s): MERRIMAN ET AL.

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Brian S. Mudge  
Bradley J. Meier  
Kenyon and Kenyon  
For Appellant

**EXAMINER'S ANSWER**

This is in response to the appeal brief filed September 29, 2003.

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**(1) *Real Party in Interest***

A statement identifying the real party in interest is contained in the brief.

**(2) *Related Appeals and Interferences***

A statement identifying the related appeals and interferences, which will directly affect or be directly affected by or have a bearing on the decision in the pending appeal is contained in the brief.

**(3) *Status of Claims***

The statement of the status of the claims contained in the brief is correct.

**(4) *Status of Amendments After Final***

The appellant's statement of the status of amendments after final rejection contained in the brief is correct.

**(5) *Summary of Invention***

The summary of invention contained in the brief is correct.

**(6) *Issues***

The Appellants' statement of the issues in the brief is substantially correct. The changes are as follows:

Issue A has been withdrawn.

**(7) *Grouping of Claims***

The Examiner rejects claims 1-50 (Group I) and 51-57 (Group II) as standing or falling together because Appellants' brief does not include a statement that this grouping of claims does not stand or fall together and reasons in support thereof. See 37 CFR 1.192(c)(7).

**(8) *Claims Appealed***

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The copy of the appealed claims contained in the Appendix to the brief is correct.

**(9) *Prior Art of Record***

IAN/IAF Business Plan (DX2)

IAN Invoice to Attachmate (DX5)

IAN Document (DX16)

ISS Report of Targeted Advertising (DX 31)

ISS Report of Targeted Advertising (DX 32)

Letter to Christopher Buckingham, dated October 30, 1995 from Kevin O'Connor (DX38)

FocaLink Diagram (DX40)

LinkMarket's Business Brochure (DX56)

FocaLink's Business Brochure (DX 57)

IAN e-mail (DX80)

LinkMarket Business Plan (DX 89)

FocaLink Press Release titled "Hyperlink Advertising Explodes on the World Wide Web" (DX 90)

E-mail Focalink (DX93)

Wire Transaction ISS (DX106)

IAN e-mail (DX111)

Undated Screen Print of IAN ISS Targeted Ad (DX 114)

Undated Screen Print of IAN ISS Targeted Ad (DX 115)

FocaLink Media Services, Inc. (DX 215)

SmartBanner Technical Diagram (DX231)

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Direct Testimony Affidavit of Prof. Hari Balakrishnan, Ph.D

Christopher Buckingham Deposition

Ronald A. Kovas Deposition

Dewight Merriman Deposition

Kevin O'Connor Deposition

Thomas Wharton Deposition

David E. Zinman Deposition

**(10) Grounds of Rejection**

**A. Claims are not anticipated by Reilly**

Due to the confusion over the claims at issue this rejection has been withdrawn to simplify issues for appeal.

**B. The Claims are not anticipated by FocaLink**

Claims 1-57 are rejected under 35 U.S.C. 102(b). This rejection is set forth in prior Office Actions, Paper No. 16 and 27.

**C. The Claimed Invention was not on sale more than one year prior to the filing date**

Claims 1-57 rejected under 35 U.S.C. 102(b). This rejection is set forth in prior Office Actions, Paper No. 16 and 27.

**(11) Response to Argument**

**A. Claims are not anticipated by Reilly**

Due to the confusion over the claims at issue this rejection has been withdrawn to simplify issues for appeal.

**B. The Claims are not anticipated by FocaLink**

Applicant only argues the independent claims of Group I, i.e. 1, 7, 13, 16, 23, 29, 32, and 45, asserting that FocaLink does not disclose a system or method for selecting an advertiser node or advertising banner based upon information stored about the user node at the advertisement server node. To support this argument, Applicant states that the SmartBanner technology does not teach that it stores information based on the domain name of the user and targets from there but rather that it stores "post-buy information, i.e. demographics of those who view or click on an advertisement and the number of people who view/click on an advertisement and select an ad but rather that this information is only used to generate reports provided to advertisers and web sites.

In June 1995, Zinman completed the business plan which described FocaLink's concept for a third party ad serving system (Zinman Dep. 16:4-8; DX89). This ad serving system involved using a "third party" ad server (i.e., a server separate from the server for the web site) to deliver ads to browsers that accessed a web site (Zinman Dep. 18:7-19). This system also included the use of redirects, i.e., use of an HTTP link message to direct a user's browser to the third party ad server that selected and provided the ad banner (Kovas Dep. 19:4-5, 44:11-24). Merriman also stated that any third party ad server would have to use link messages (Merriman Dep. 90-91, 148, 254). By July 1995, FocaLink had developed a prototype of its third party ad serving system, which it demonstrated to potential investors at the Mayfield Fund without nondisclosure agreements (Zinman Dep. 27:2-23, 28:6-9). In September 1995, FocaLink began preparations for "beta testing its third party ad serving technology, which FocaLink had begun to market as "SmartBanner" (Kovas Dep. 35-36:22-19; Zinman Dep. 39-40:5-10; DX57).

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FocaLink's beta test allowed ads to be targeted by the domain name of the user's web browser,, a technical capability that FocaLink had possessed since July 1995 (Kovas Dep.18:2-20, 38:7-12, 36:14-23; DX93). In fact, FocaLink's third party ad serving technology did not significantly change from the time that it was conceived in the spring of 1995 to the end of the beta testing period (DX40, 231; Kovas Dep. 75:2-11, 152:22-23). FocaLink also distributed a diagram, as well as summary, of its third party ad serving technology to potential beta test customers without a nondisclosure agreement (DX40, 93,231; Kovas Dep. 74-75:16-12, 152:21-23, 153 10-21; Zinman Dep. 54:16-23, 55:6-16). The summary described the beta testing that FocaLink would begin in October 1995, as well as FocaLink's ability to target ads and generate performance reports (DX93). Information targeted directly to characteristics of a particular user includes the user's domain type, computer operating system and browser type, i.e. information about the user node. FocaLink did disclose a system or method for select an advertiser node or advertising banner based upon this information stored at the advertisement server node. In its Press Release, dated July 17, 1995, FocaLink specifically states that FocaLink can improve the productivity of all Web advertising space by targeting ads to customers based upon domain names, operating system, and browser employed. Applicants' argue that FocaLink does not select the ad based on the information being stored at the advertisement server node. However, this is inherent/implicit to the claim. The claim does not require that the information be stored for any length of time at the advertisement server node, only that it be stored there. In order for FocaLink's system to be able to target based upon a domain name, operating system, or browser employed, it would at least have to be temporarily stored or else the programming code could not utilize the

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information. For example it might store it in a memory buffer, to utilize it, however, this still storage.

Applicant argues Group II, claims 51-57, asserting that FocaLink does not disclose a system or method wherein the advertisement server node selects an advertiser node or and advertising banner node based on a number of times the advertising content has been previously displayed at the user node as required by the independent claims. Applicant argues that the examiner's teaching is that FocaLink only teaches basing the advertisements upon the number of people per day who view/click on an advertisement and that this is not equivalent to the number of times the advertising content has previously been displayed at the user node. Moreover, Applicant further argues that the number of people per day who view/click on an advertisement is merely post-buy information used to generate reports and is not used to target the advertisements/banners.

The examiner respectfully disagree with Applicants' arguments. FocaLink teaches basing advertisements upon the number of people per day who view/click on an advertisement. This encompasses Applicants' claim language, as it is comprising claim language and the individual would be one of the number of people per day who viewed the advertisement and FocaLink is basing its decision upon the number of times the individual and others have viewed the ad.

Thus, the examiner has made a prima facie case that the FocaLink anticipates the instant application.



**C. The Claimed Invention was not on sale more than one year prior to the filing date**

Applicant's traverse the examiner's rejection of claims 1-57 under 35 U.S.C. § 102(b) based on an alleged on sale bar with a critical date of October 29, 1995, based on the parent application.

Applicant argues three main points: 1) that no commercial offer for sale was made prior to the critical date; 2) the invention was not ready for patenting prior to the critical date; and 3) experimental use negates the on-sale bar.

The Examiner argues that even a single sale or offer triggers the on-sale bar. The on-sale bar occurred prior to the critical date. There was a commercial offer for sale made prior to the critical date. The invention was ready for patenting prior to the critical date. The offer for sale was not primarily for experimental purposes and therefore does not trigger the experimental use exception. There is evidence of an actual reduction to practice of the invention prior to the critical date in the form of the prototype, i.e. sometimes referred to as the DART prototype.

**1. No Commercial Offer for Sale Was Made Prior to the Critical Date**

Applicant argues that there was no commercial offer for sale because the transaction cited by the Examiner was not specific enough under the standard set by the Federal Circuit in the *Group One* ruling, i.e. an offer which rises to the level of a commercial offer for sale, one by which the other party could make into a binding contract by simple acceptance. Applicant argues that the telephone conversation between Christopher Buckingham, of Attachmate, and Kevin O'Connor, of IAN now Doubleclick and an Applicant, does not meet the standard because:

1. It was only one phone call (see discussion below).

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2. The phone call was between prior acquaintances to discuss the general concept of targeted advertising over the internet (see discussion below).

3. Christopher Buckingham requested a proposal to evaluate whether to use Mr. O'Connor's company, IAN, for internet advertising (see discussion below).

4. Mr. O'Connor spent a few days after the phone call putting together the proposal for Mr. Buckingham in a letter and that was sent after the critical date (see discussion below).

5. The telephone call lacked a number of fundamental terms required to establish a binding commercial contract (which Applicants argue are subsequently suggested in the letter sent after the critical date) including:

- Providing a specified amount of non-targeted ads over a period of several months, tracking viewer demographics and determining the most useful user profile for targeting future ads (This mischaracterizes Buckingham's testimony. He does not recall if they discussed any specifics about non-targeted vs. targeted ads and the amounts but specifically states on the page cited by Applicants that "I also don't have any reason to believe that what's outlined here is any different than what we discussed (Buckingham Dep. 60:17-25; It is item 2 in the letter and Buckingham specifically remembers discussing it during the phone conversation (*Id.* at 43: 10-4)).
- The number of ads was not specified during the phone call, but was set forth in the letter (Again Item 2. This mischaracterizes Buckingham's testimony. He does not recall if they discussed any specifics about non-targeted vs. targeted ads and the amounts but specifically states on the page cited by Applicants that "I also

don't have any reason to believe that what's outlined here is any different than what we discussed (Buckingham Dep. 60:17-25; see also discussion below). We do know an overall payment amount was discussed and accepted.).

- The timeframe over which the ads would be placed was not specified during the phone call (I guess a composite of items 2 and 3. This mischaracterizes Buckingham's testimony. He does not recall if they discussed any specifics about non-targeted vs. targeted ads and the amounts but specifically states on the page cited by Applicants that "I also don't have any reason to believe that what's outlined here is any different than what we discussed. He also recalls discussing advertisements for Netwizard, targeting airlines with a Netwizard ad. See Buckingham Dep. 60:17-25; 43-44; see also discussion below. Additionally, we do know that he expected to be invoiced and had turned the project over, thus he believed that he had purchased targeted advertising over the internet from a third party ad server from Mr. O'Connor. See discussion below. ).
- Neither a pricing structure for the ads (ad rate) nor a payment date was specified during the phone call (This mischaracterizes Buckingham's testimony. He does not recall if they discussed any specifics about non-targeted vs. targeted ads and the amounts but specifically states on the page cited by Applicants that "I also don't have any reason to believe that what's outlined here is any different than what we discussed (Buckingham Dep. 60:17-25; see also discussion below). We do know an overall payment amount was discussed and accepted.).

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The Examiner, thus respectfully disagrees with the characterization of the absence of specific terms.

Nevertheless, the Federal Circuit never set the bar so high. While Applicants are essentially correct in that they utilize the standard for a commercial offer of sale set forth in *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 48 USPQ2d 1641 (1998), as further clarified by the Federal Circuit in *Group One Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1047-1048, 59 USPQ2d 1121, 1126 (Fed. Cir. 2001) rejecting the proposition, based upon dictum in a prior decision, that, something less than a formal offer under contract principles would suffice to trigger the on-sale bar. Applicants' extrapolation of the language from pages 1047-1048 of the *Group One* decision is flawed in that the Federal Circuit never held "that the indefinite nature of the communication (letter, meeting and telephone call discussing the patented machine and technology) and lack of specific terms (such as price and quantity) in that case did not trigger the on sale bar." The Court merely upheld the specific factual underpinnings of the District Court and indicated that it would utilize the UCC. *Group One*, 254 F.3d at 1048, 59 USPQ2d at 1126. Instead, the court noted that

they do not propose to offer rules or even binding guidance for making such determinations, which would be little more than obiter dicta. We do note in passing that contract law traditionally recognizes that mere advertising and promoting of a product may be nothing more than an invitation for offers, while responding to such an invitation may itself be an offer. *Restatement (Second) of Contracts* § 26 (1981). In any given circumstance, who is the offeror, and what constitutes a definite offer, requires looking closely at the language of the proposal itself. *Id.*

In *Group One*, the Federal Circuit stated that it will look to the Uniform Commercial Code, because "the UCC has been recognized as the general law governing the sale of goods and is another useful although not authoritative source in determining the ordinary meaning of terms

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used by parties” and noted that the Supreme Court supports consulting the *Restatement of Contracts* with approval in the commercial law context. *Id.* (citing *Mobile Oil Co. v. United States*, 530 U.S. 604 (2000)). More recently, when discussing the standard for a commercial offer, the Federal Circuit has stated that “a process is a series of acts and the concept of sale as applied to those acts is ambiguous. *Minton v. Nat’l Assn. of Securities Dealers, Inc.*, 336 F.3d 1373, 1378; 67 USPQ2d 1614 (Fed. Cir. 2003). In *Minnesota Mining and Manufacturing Co. v. Chemque, Inc.*, 303 F.3d 1294, 1307-1308, 64 USPQ2d 1270 (Fed. Cir. 2002), the Federal Circuit restated its position on looking to the UCC to define whether, as in that particular case a communication or a series of communication rose to the level of a commercial offer of sale and also to looking to the *Restatement of Contracts*. (citing *Group One*, 254 F.3d at 1047-1048, 59 USPQ2d at 1126). The Court further explained that in seeking to find the boundaries of a “commercial offer,” subsequent to the *Group One* decision they utilized the *Restatement (Second) of Contracts* § 24 because the UCC did not define an offer, i.e. “the manifestation of willingness to enter into a bargain, so made as to justify another person in understanding that his assent to that bargain is invited and will conclude it”.<sup>1</sup> *Id.* (stating that here there was no commercial offer because the evidence indicates only that Ricon had sent samples of the product to various companies and this without more does not rise to a commercial sale and further noting that although testimony indicated some price quotes were requested internally for the purpose of providing them to customers the Court explained that communications between a company and its sales representatives soliciting information on pricing for a product cannot constitute an offer for sale to a customer who is not privy to the communications and further noting that there was

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<sup>1</sup> The Court cited *Linear Technology Corp. v. Micrel, Inc.*, 275 F.3d 1040, 1049-1050, 61 USPQ2d 1225, 1230-1231

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no evidence of price quotes being sent to customers in any particular instance). Thus, in light of the case law from the Federal Circuit, there is no absolute requirement that the offer contain certain specifics as long as it can meet the *Restatement*. Thus, the examiner is not persuaded by Applicants' recitation of case law and litany of items required to make the telephone conversation into a formal offer.

As set forth in the analysis of the Federal Circuit's line of reasoning, the transaction cited by the Examiner meet the standard set by the Federal Circuit for establishing a commercial offer for sale. The complex facts that Applicants' suggest adopting are just not required. The telephone call, as memorialized in the letter (DX 38) contained enough facts upon which to establish a prima facie case of a commercial offer for sale by a preponderance of the evidence. It is undisputed that the telephone call took place prior to the critical date. See Appeal Brief at pg. 9. It is also undisputed that Mr. O'Connor, one of the Applicant's called Mr. Buckingham. *Id.* What is disputed, is the purpose of the telephone conversation and its content. Applicant cites O'Connor's Declaration throughout his brief to support facts about the content of the telephone conversation. The Examiner does not find the O'Connor Declaration persuasive because it appears to be inconsistent on several points with the facts, his own deposition testimony, Mr. Buckingham's Deposition testimony and the letter. For example, Mr. O'Connor's Deposition specifically states that he does not specifically recall what he talked about to Mr. Buckingham regarding the technology, whether he asked him to become a sponsor or any amount of money and contradicts himself in the letter in which he states "I am pleased that you will be one of our initial advertising sponsors." (utilizing past tense shows that an

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agreement was reached) "Wayne should begin work on creating one or more ads to be used." (again indicating that there was an agreement that they were in business together) "We are excited about working with you." (utilizing past tense shows that an agreement was reached) and Buckingham's own sworn testimony. (O'Connor Dep. 223:5-225:6, DX 38).

Another contradiction is the characterization of the relationship between Mr. O'Connor and Mr. Buckingham, as set forth in the O'Connor Declaration as "friends" (O'Connor Declaration, paragraph 24). Mr. Buckingham characterized their relationship differently than Mr. O'Connor stating that even during the time frame of the 1980s to April of 1992 that it was mainly a vendor-customer relationship and even though they may have gotten together socially on occasions it was mainly business-related (Buckingham Dep. 19:2-21). Buckingham additionally states that he had little interaction with Mr. O'Connor from 1992-1994, except during the 1994 time period when he might see him every three or four months, when he would stop in the office and say hello, principally as Mr. Buckingham viewed it to keep Mr. O'Connor's Open Mind product in view of the Unisys sales and marketing people in Cincinnati (*Id.* at 20-26). Buckingham additionally states that from the time Mr. O'Connor left Attachmate up through 1995 he had virtually no contact with him. (*Id.* at 26:21-27:8). Thus, Mr. Buckingham did not believe that he and Mr. O'Connor were friends. This is in direct contradiction with the O'Connor Declaration at Paragraph 24 and nowhere is his relationship supported in Mr. O'Connor's Deposition other than a brief statement that they were friends, even Mr. O'Connor's own deposition characterizes their relationship as being primarily business associates and does not demonstrate any prolonged contact (O'Connor Dep. 210:2-23). Unlike Mr. O'Connor's testimony about being friends with Mark Duffy, where he stated that he was a

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good friend of the family, the kids played together, and I could talk to him confidentially just to get his feedback on what we were doing (*Id.* at 232:15-25).

Mr. Buckingham stated that the letter dated October 30, 1995 refreshed his recollection of the telephone conversation with Kevin O'Connor but that he did no other preparation for his deposition (Buckingham Dep. 53-54:24-19; 55-56:18-21). According to Mr. Buckingham, none of the conversation with Mr. O'Connor was devoted toward his seeking advice on what his new adventure was doing or with Mr. Buckingham helping him to gain a better understanding of whether or not internet advertising would be important (*Id.* at 42:14-22). Mr. Buckingham specifically stated he considered the telephone conversation to be a sales call (*Id.* at 42-43:23-1). This is in direct contradiction to the O'Connor Declaration paragraph 24. It also implicitly is contradicted by the O'Connor's Deposition testimony where he stated that does not recall much of the conversation with any detail, admitted to discussing the technology, admitted to discussing the overall ability to target your audience, and admitted to discussing be on one or more web site and sort of to able to measure the effectiveness of that advertising (O'Connor Dep. 221-225:17-1). Mr. Buckingham stated that Mr. O'Connor discussed the ability of the internet to target ads to people who were surfing the net and that he could target ads based on interpreting the demographics of the people surfing the net, i.e. through the TCP/IP address. (Buckingham Dep. 32:19-21; 33:3-12; 71:14-16). Additionally, Mr. O'Connor further disclosed a range of products and services related to advertising on the internet that he could provide and that his software could utilize banner ads and target people/customers, job types, or accounts that O'Connor proposed to Buckingham that he could receive these services in exchange for \$20,000. (*Id.* at 35:2-16; 36:9-25; 39:5-11; 72, lines 5-14). Again this is a contradiction to the O'Connor



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Declaration at paragraph 27 where he indicated that he did not propose any sort of spending until the letter. This is also implicitly contradicted in his deposition, as he testified that he does not recall whether he made a proposal and even admits that it might have been a possibility but only believes he would not have done so (O'Connor Dep. 224-225:24-6; 241-242:2-25). It was during that telephone conversation that Christopher Buckingham on behalf of Attachmate agreed to become one of Mr. O'Connor's initial advertising sponsors for targeted advertising and would receive the aforementioned services in exchange for \$20,000. (Buckingham Dep. 37-38:23-11 and 64-65:17-14) Mr. O'Connor further indicated that he would provide feedback/reports on the advertising. (*Id.* at 34, 2-8). Additionally, Buckingham was expecting to be invoiced based upon the telephone call (*Id.* at 48:22-24).

Mr. O'Connor stated that after the telephone call he put together a proposal for Mr. Buckingham and mailed it after the critical date (O'Connor Declaration para. 26). However, this is in contradiction to Mr. Buckingham's recollection of the facts. He did not recall requesting a proposal and he recalled quite clearly that he just said "I can throw \$20,000 into this." and although he admitted there is a chance he could have requested a proposal it is unlikely, it would not have been unusual for him to commit the money without a proposal (Buckingham Dep. 48-49:16-3; 72-73:5-8). The letter supports Buckingham's position that it was not a requested proposal but merely a confirmation of a telephone conversation that had taken place (DX 38). It is also Buckingham's recollection that the letter is a confirmation of the telephone call (Buckingham Dep. 38-48 discusses the letter in a point by point analysis and Buckingham states that the six items listed memorialize the contents of his telephone conversation with O'Connor).

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Thus, looking to the evidence of the record, there is a prima facie case by a preponderance of the evidence that a complete/formal offer was made under the Restatement and the UCC.

By generating the sales call with all of the specific information about the technology, what it could provide, the related services, and asking for the \$20,000, Mr. O'Connor was manifesting a willingness to enter into a bargain, so made as to justify another person in understanding that his assent to that bargain is invited and will conclude it. Mr. Buckingham accepted the offer on the telephone, as evidenced by his deposition testimony and the letter. It is specific enough under the standards enunciated by the case law as there is a price, services, an explanation of the technology underlying the services being deliver, etc.

One could also analyze Christopher Buckingham's behavior under the UCC § 1-205 and look to his course of dealing and evidence of practice within the industry. Mr. Buckingham states that it would have been his practice, i.e. course of dealing to make a \$20,000 commitment from a vendor without a written proposal depending upon with whom he was doing business (Buckingham Dep. 72-73:21-8). He stated that he was very interested in the whole situation and he knew Mr. O'Connor and his reputation and therefore it would not have been unusual (*Id.*). This coupled with the offer and acceptance, as set forth above would also rise to a prima facie case of a complete offer.

Thus, there was a commercial offer for sale made prior to the critical date.

2. The Invention was not Ready for Patenting Prior to the Critical Date

Applicants' argue that under *Pfaff*, their invention was not complete because it was still in the experimental phase. Applicants' are mixing two separate arguments "ready for patenting" and the exception "experimental use." It is still necessary under *Pfaff* to determine if an

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invention can be ready for patenting under the second prong of *Pfaff*. As Applicants' argue "ready for patenting" and "experimental use" separately, I will argue follow suit. First, whether there was a complete invention, as required by *Pfaff*. *Pfaff* does not require that the invention be reduced to practice and in fact under *Pfaff* it can be complete without reduction to practice. *Pfaff*, 525 U.S. 55, 66 (1998). Under *Pfaff*, it is sufficient that prior to the critical date the inventor had prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention. *Id.* at 67.

Applicants' did not give the address the "ready for patenting" issue until just before the Final Rejection. This is the Examiner's first chance to reply and as such, the Examiner will bolster the arguments of ready for patenting with documents already made of record in the IDSs. However, first the examiner will address Applicants' arguments.

The first argument asserted by the Examiner about the filing of the application was a misstatement and is withdrawn.

As to the second argument asserted by the Examiner about utilization of AdJump and the Deposition Testimony of Mr. Buckingham. The examiner will tie all of this together below.

As per the argument advanced by the Examiner that the proof was demonstrated in the Buckingham letter. Applicants' assert that the Examiner misunderstood the facts and that they were not speaking about IAN but about hard-coded ads. The Examiner respectfully disagrees with the characterization of her arguments. The letter clearly states "In addition, IAF will contribute "intelligence" (i.e. user names and more detailed demographics) to IAN to even **further improve** our targeting techniques. Applicants' then cite *Space Systems/Loral, Inc. v. Lockheed Martin Corp.*, 271 F.3d 1076, 1081 (Fed. Cir. 2001) to try to support the fact that the

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mention of the concept of ad targeting in the telephone conversation or the subsequent letter does not establish that the invention was ready for patenting because it stands for the proposition that a concept that is retroactively shown to be workable does not convert into one that was “read for patenting” at the time of conception. Here the facts are slightly different. The letter is written only one day after the critical date, not even a full 24 hours have passed. O’Connor admits to working on the letter through the weekend (O’Connor Declaration para. 24). Thus, it is implicit that it was ready for patenting. Moreover, the telephone conversations and the letter, memorializing it do not need to show each and every feature. The Federal Circuit had deemed it irrelevant whether the proposals expressly identify the limitations of the invention or whether the buyer is even aware of their significance at the time and held each and every feature inherently contained the claim limitations of the patented process, it would trigger the on-sale bar. *See Scaltech Inc. v. Retc/Tetra, L.L.C.*, 156, 156 F.3d 1193, 1194 (Fed. Cir. 1998), amended by 178 F.3d 1378, 1383 (Fed. Cir. 1999). These features were inherently shown to be contained within the product offered and sold, as set forth in the letter, as demonstrated by the IAF’s Business Plan and supported by the prototype, and deposition testimony. Applicants’ invention was “ready for patenting” because the claims of the invention were known and conveyed with adequate specificity through IAF’s Business Plan prior to the critical date. *See Weatherchem Corporation v. J.L. Clark, Inc.*, 163 F.3d 1326, 1334 (Fed. Cir. 1998); *Vanmoor v. Wal-Mart Stores, Inc.*, 201 F.3d 1363, 1367 (Fed. Cir. (2002). Additionally, as set forth above, Buckingham was convinced enough by O’Connor’s telephone call that he committed to \$20,000 worth of targeted advertising with IAN prior to the critical date and expecting to be invoiced for the product.

Finally the examiner will show that under *Pfaff*, the invention was ready for patenting because the inventor had prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention. IAF/IAN had developed a function ad serving prototype in September 1995 (DX 2, 16). In a September 1995 version of the business plan for the IAF business plan graphically sets forth the architecture of their ad serving technology (DX2 at DC 048926-29). The IAF Business Plan describes a third party ad serving system, illustrated in part on page 7, and labeled "IAF Architecture," that operates over an HTTP network and includes a web user, a Content Site, and Advertiser Site, and an HTTP server that operates as the Ad Server Process (DX2 at DC 048926-29). In fact, the architecture depicted in this initial business plan contains many elements of the '061 patent, i.e. the reissue patent, and the architecture set for in the IAF business plan, are functionally identical (for a graphical representation see Balakrishnan Aff. at 26).

The IAF Business Plan explains that the Ad Server *Process* delivers targeted advertising banners to web users who access the various publisher sites, and that, to accomplish this, the publisher sites insert specialized HTML code into the publisher's HTML pages (Balakrishnan Aff. at 26). This HTML code disseminated from the web site is in the form of a "link message" (Balakrishnan Aff. at 26).

The Ad Server Process described in the IAF Business Plan is designed to deliver targeted ads to the user's browser whenever the user accesses a web page of an IAF web site containing a "link message" (Balakrishnan Aff. at 27; DX 2). As show in the figure on pg. 7 of the IAF Business Plan, the IAF web site does not communicate directly with the Ad Server Process to deliver the ad to the user (Balakrishnan Aff. at 27; DX2 at DC048926). Instead, the user's

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browser (1) receives the “link message” from the web site, and (2) passes the “link message” to the Ad Server Process to initiate ad selection and delivery. (Balakrishnan Aff. at 27).

One of ordinary skill in the art would have known how to (1) configure and run an HTTP server to accept this “link message” from the user’s browser; (2) obtain HTTP header information (e.g. the user’s browser type, the user’s operating system) and the IP address from the incoming request; (3) select an ad based on some or all of this information using a simple look-up table, e.g., by mapping the HTTP header information to one of several ad banner files; and (4) return the selected ad to the user’s browser (Balakrishnan Aff. at 28). Additionally, the IAF Business Plan is filled with references to targeting or matching ads based on a number of different criteria (Balakrishnan Aff. at 28).

The use of a link message as set forth in the IAF Business plan was employed by Merriman prior to October 29, 1995, when he tested an implementation of such an embedding of an image tag, where the location of the object was on a different web server than the one from which the HTML page originated (Balakrishnan Aff. at 25; Merriman Dep. 44-45:9-19). This is a simple example of the type of HTML code that the IAF Business Plan indicates should be placed in the web site’s HTML pages to permit the Ad Server process to deliver advertising banners to the user (Balakrishnan Aff. at 25).

According to the IAF Business Plan, the returned selected ad banner is displayed at the appropriate location (e.g., as specified in the image tag of the “link message”) on the user’s display (Balakrishnan Aff. at 29; DX2). The aggregation of content from various locations on the Internet was a standard feature of the World Wide Web prior to October 29, 1995. (Balakrishnan Aff. at 29).

In addition, one of ordinary skill in the art would have known how to implement additional features disclosed in the IAF Business Plan, such as those related to “AdJumps” using a stand feature of HTTP, i.e. HTTP redirection. (Balakrishnon Aff. at 28).

Finally, the use of the advertisement server node selecting the advertiser node based upon the number of times the advertising content has been previously displayed at the user node is taught in the IAF Business Plan (DX2 DC048927-28 and DC 048924). The IAF Business Plan enables selection of the ad banner through interactively creating a user profile by selecting certain criteria, including items from a web site profile, which includes the number of times an ad has been viewed (Id.) As previously set forth, this is merely then a selection of an ad based on some information in a simple look-up table, e.g. by mapping the HTTP header information to one of the several ad files and returning the selected ad to the user’s browser and would have been known to one of ordinary skill in the art (Balakrishnan Aff. at 28).

The Examiner has attached a table with a full explanation of the ready for patenting explanation, comparing the original claim 16 of the patent with claim 16 and 53 of the application. Changes from the original claim are in bold. Only claims 16 and 53 of the Application were analyzed because they embody the Applicants’ arguments.

It is also noted that when discussing the potential risks that the company faced by way of competition, the IAF Business Plan also included a notation that the company did “not believe the product is patentable” (DX2 at DC048936).

Thus, the Examiner has demonstrated that at the critical date, under the second prong of the test in Pfaff, the invention was ready for patent

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Moreover, there is actual evidence of reduction to practice prior to the critical date. IAF/IAN had developed a function ad serving prototype in September 1995 (DX 2, 16, Merriman Dep. 32:5-34:11). In a September 1995 version of the business plan for the IAF business plan graphically sets forth the architecture of their ad serving technology (DX2 at DC 048926-29). The IAF Business Plan describes a third party ad serving system, illustrated in part on page 7, and labeled "IAF Architecture," that operates over an HTTP network and includes a web user, a Content Site, and Advertiser Site, and an HTTP server that operates as the Ad Server Process (DX2 at DC 048926-29). In the Merriman Deposition, they speak about DX16, which clearly refers to the prototype and its being marked as done. Merriman, then tries to wiggle and say well no, it was only about 75% done. There is other direct evidence, which contradicts this and his Declaration, as well as that of Mr. O'Connor.

IAF/IAN generated advertising reports for ISS test ads reflecting that IAF/IAN was serving ISS ads during the October 1, 1995-November 12, 1995 time frame (DX 31-32). These advertising reposts also contain detailed information relating to targeting issues, such as ranking response rates by user characteristics, such as, "Domain Type," "Industry Type," and "User Interests," and include a chart that summarizes "Savings Realized by Targeting" (DX 31, 32). Undated screen prints of IANS's web pages that include ISS ad banners at the top of the page confirm that IAN served ads for ISS in late 1995 and early 1996. (DX 114, 115). Note that this directly contradicts Merriman's own Declaration and Deposition testimony where he stated that no ads had been served at all prior to December 1995. Merriman's testimony on this issue is that he is not sure whether they delivered targeted ads for ISS during that time, that they ran at a later date or on the last day of the report (Merriman Dep. 270-271:21-13). He believes it was only a



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mock-up and used for potential marketing because they do not use that style of reporting today but that there is absolutely no way to go back and check if any ads were served in October and moreover, he is the only one who would know because he is the only programmer and so he would double check with O'Connor (*Id.* at 270-273:15-17). Additionally, the Examiner notes that Merriman does admit that at some point the ISS ad ran as a test ad not a paying ad and he correlates it with an e-mail in December (*Id.* at 277-278:9-16). Moreover, when questioned, O'Connor's Deposition testimony is equally as vague. He does not recall serving ads for ISS during the October 1995 time frame, admits that they might have served hardcoded ads at IAF for ISS but does not believe that DART was operational. O'Connor does state with regard to DX32 but that he is certain that it is a mock-up because a lot of the things were never put into the system and they were never capable of doing so. The Examiner is persuaded that the ads ran at the times stated because we have actual documentation showing that they ran, refusal to answer any questions about the prototype (DART commercialization during the critical period), and because the recollections of Merriman and O'Connor are not concrete but rather in the form of not recalling if they ran, i.e. they could have but I don't believe they did and this conflicts with the exacting statements of their Declarations, including the fact of a functioning prototype being done in September. The Examiner notes that the prototype, Internet connection, initial IP-DB were all completed by October 1995, according to Applicants' own records (DX 16).

There is additional support that a reduction to practice occurred prior to the critical date. In mid-December 1995, O'Connor and Merriman demonstrated IAN's central ad serving capability for Tom Wharton, Poppe Tyson's CFO (Wharton Dep. 50-51:5-25). It was Wharton's impression, based upon his conversations with O'Connor and Merriman as well as his

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observations, that the IAN ad server had been functioning for some period of time (*Id.*).

According to Wharton it had been up and running for three to six months, and O'Connor and Merriman had done a substantial amount of work in building its applications (*Id.*).

Not only have the facts demonstrated the second prong of *Pfaff*, but they have also demonstrated that Applicants' had sufficient grasp a sufficient grasp of the invention, a model (i.e. the prototype), and later produced the ads for others, Applicants' did invoice Buckingham that were the subject of the sale, thus demonstrating that Applicants' had confidence that their invention was complete and operative as reflected in the fact that the sale was for a commercial quantity. See *STX, L.L.C. v. Brine, Inc.*, 211 F.3d 588, 54 U.S.P.Q.2d 1347 (Fed. Cir. 2000)(further showing that the invention was "ready for patenting").

*Additional Points re Commercial Offer for Sale and Ready for Patenting*

Assuming arguendo, that there was only the prototype and that the IAF Business Plan is equivalent to a written description to be given to a programmer to implement, but no alpha or beta product available at the time of the telephone conversation between O'Connor and Buckingham. The Examiner notes that inventors or organizations will solicit customers for software conceived, but not yet developed, to determine whether further development merits the investment and others will engage in the same activity to dissuade others from buying the competitor's product. This conduct is so pervasive throughout the industry that it has acquired its own name – vaporware. See Ronald N. Weikers, "Computer Malpractice" and Other Legal Posed by Computer "Vaporware," 33 Vill. L. Rev. 835, 840 (1988) (defining vapourware as "a computer product which, unknown to the purchaser, has not yet been created or perfected). While, Applicants' were past the point of vaporware, they were still behaving is a very similar

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fashion. The Examiner notes that the analysis under *Robotic Vision Systems, Inc. v. View Engineering, Inc.*<sup>2</sup> would be consistent to apply to Applicants' about whether they were ready for patenting. In Robotics, a co-inventor explained the later patented invention to a software programmer prior to the critical date and asked him to write the software. This explanation was sufficiently specific for the programmer to understand the invention and to write the software needed to implement the method. The Federal Circuit held that it was irrelevant that the software was not reduced to practice prior to the critical date, since it was ultimately completed based on the description that was orally given. The Court held that because the description was sufficiently specific to enable the programmer, a person of skill in the art, to practice the invention, the invention was complete, and therefore, "ready for patenting," at the time the oral explanation was given. Here we have an expert affidavit of Prof. Hari BalaKrishnan, Ph.D. stating that one of ordinary skill in the art could have followed the IAF Business Plan and write the necessary software to implement the network and method. Additionally, Applicants' did follow the Plan and implement the network and method. Assuming Applicants' facts, as demonstrated above, they had a prototype in September around the same time, an alpha version within 3 months (December), and a beta version and production version one month later (January) (DX 16). Moreover, their own Plan states that others can replicate their work in as little as 6-12 months, indicating the level of skill needed to follow their plan and code it (DX 2).

### 3. Experimental Use Negates the On-Sale Bar

The Examiner recognizes that the Board has the Power to examiner or reexamine patent claims and raise issues sua sponte. "The members of the Board of Appeals are denominated

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<sup>2</sup> 249 F.3d 1307 (Fed. Cir. 2001).

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‘examiners-in-chief’ both 35 U.S.C. 3 (‘Officers and employees’) and 35 U.S.C. [6]. The title chosen by the Congress implies that the members of the board have authority to examine or reexamine appealed claims. [Emphasis in original].”

The Examiner also notes that the Board is titled the “Board of Appeals”<sup>3</sup> and not the ‘Board of Initial Examination.’ By restricting the Board to only *appeals*, the Board’s valuable time will not be wasted. The examiner notes that nowhere in any of their papers did Applicants’ present any arguments directed to experimental use.<sup>4</sup> Applicants’ experimental use argument is an entirely new argument composed of eleven sub-arguments. Applicants’ thoroughly addressed both the commercial offer for sale and ready for patenting issues at every opportunity.<sup>5</sup> Furthermore, while the Examiner recognizes that due process is an important consideration of the USPTO, Appellants are not pro se and are represented by presumptively competent counsel who could have raised any issue deemed meritorious to their case prior to this appeal.

Thus, the question posed by the experimental use doctrine, assessed under the first prong of the two-part on-sale bar test of Pfaff, is not whether the invention was under development, subject to testing, or otherwise still in its experimental stage at the time of the asserted sale. Instead, the question is whether the transaction constituting the sale was “not incidental to the primary purpose of experimentation,” i.e., whether the primary purpose of the inventor at the time of the sale, as determined from an objective evaluation of the facts surrounding the transaction, was to conduct experimentation. *Scaltech, Inc. v. Retec/Tetra, L.L.C.*, 178 F.3d 1378, 1384 n.1, 51 USPQ2d 1055, 1059 n.1 (Fed. Cir. 1999). The examiner contends that the sale was primarily commercial in nature and not experimental.

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<sup>3</sup> The formal name as established in 35 U.S.C. §6(a) is the “Board of Patent Appeals and Interferences”.

Applicants' whole basis of their experimental use argument is that there was a necessity for testing of the IAN/IAF system on the Internet after the critical date. The examiner disagrees for two reasons: 1) Applicants' failure to communicate to Buckingham that the offer/sale was for experimental use is fatal to their experimental use argument; 2) the activity undertaken was not primarily for experimental purposes but rather was primarily a commercial exploitation with relation to Buckingham 2) there is absolutely no showing that the alleged experimental testing caused Applicants' to make any changes to the reduction to practice of claimed patent and therefore any testing is immaterial.

Thus, the Examiner looks to the facts of the transaction to determine whether it was primarily for commercial exploitation or for experimental use. First the examiner notes that what is important to an assessment of the commercial versus experimental significance of a sale is no necessarily the posture of the invention's overall development, but the nature or purpose of the particular use to which the invention is applied, i.e. "the experimental exception applies only if the commercial exploitation is merely incidental to the primary purpose of experimentation to perfect the invention." See *Manvillvel Sales Corp. v. Paramount Sys., Inc.*, v. 917 F.2d 544, 550 16 USPQ2d 1587, 1592 (Fed.Cir. 1990); *Barmag Barmer Maschinenfabrik AG v. Marate Mach., Ltd.*, 731 F.2d 831, 839, 221 USPQ 561 567 (Fed. Cir. 1984)(quoting *In re Theis*, 610 F.2d 786, 793, 204 USPQ 188, 194 (CCPA).

The evidence of record makes it difficult to conclude that the primary purpose of the sale to Mr. Buckingham was experimentation. The sale to Mr. Buckingham was a commercial sale of an targeted ad system without assurances demanded or obtained by the seller that the targeted

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<sup>4</sup> See Request for Reconsideration, Paper 19 or Amendment C, Paper 24.

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ads would be placed for any specific duration of time or would be subjected to any sort of test on the Internet such as further targeting development, frequency control stress testing to determine ability to satisfy demand or testing the system to determine/develop the quickness of the ads being served. The only limitations on Mr. Buckingham and Attachmate were that the agreement, i.e. the terms of the transaction were to remain confidential until the public announcement of IAN. There were no confidentiality agreements about the technology itself. Buckingham also states that he does not recall anything in the telephone conversation about keeping the agreement confidential until the public announcement of IAN (*Id.* at 48:1-8). There were no restrictions, and no effort to impose on Mr. Buckingham or any transferee any obligation to assist or permit use of other internet third party ad services. There were no specific tests contemplated nor a period of time envisioned over which the tests would be undertaken at the time of the sale. The invoice sent by IAN to Attachmate does not indicate that the delivery was for an evaluation period, experimental product and it was for a commercial quantity of targeted ads to be determined (DX5). While the inventors conducted all of the testing of their ad serving technology, the evidence does not demonstrate that they retained control over the experiment. The experiment relied upon compliance of three distinct groups beyond the “control” of the inventors, the “users,” the “content providers,” and the “advertisers.” Without such agreements, there is no control groups, no ability to test for the very problems that Applicants’ have stated necessitated the public testing, i.e. targeting and frequency control, stress testing, testing the operability of ad targeted serving technology through the various hardware and software of the multiple parties, which is dependent upon Internet connectivity (Knott Report), and the ability to

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<sup>5</sup> *Id.*

test the quickness. No evidence has been provided demonstrating Mr. Buckingham's or Attachmate's (or for that matter any other parties) agreement to participate in the experiments, i.e. contracts, non-disclosure agreements, etc. Thus, simply conducting all of the testing does not mean that the inventors kept sufficient control of the "alleged" experiment. "[A] use cannot be experimental if the inventor failed to maintain sufficient control over the invention and its testing." *Lough v. Brunswick Corp*, 103 F.3d 1517, 1526, 41 USPQ2d 1385, 1393 (Fed. Cir. 1997)(declining suggestion for rehearing en banc) (Michel, J., dissenting); *Paragon*, 984 F.2d at 1187, 25 USPQ2d at 1565. *See also* Rooklidge and Jensen, Common Sense, Simplicity and Experimental Use Negation of the Public Use and On Sale Bars to Patentability, 29 J. Marshall L. Rev. 1, 29 n. 144 (1995). Thus record in this case fails to show "sufficient control," by the inventors after the sale transaction was consummated.

Additionally, there was commercial marketing activity by Mr. O'Connor who initiated the purchase with Mr. Buckingham, Mr. Buckingham will receive favorable pricing but that does not mean discount pricing, as alleged by Applicants' (he is performing services for them and is one of the first people to buy their services). The relationship between Buckingham and O'Connor during the telephone sale was that of one Director of Marketing to a sales person (Buckingham Dep. 23-29). O'Connor proposed specific targeting services that his company could provide in exchange for specific compensation and reports that would be valuable to Buckingham in terms of understanding the value of internet advertising in general and Buckingham recollects that O'Connor promised he would do the targeting over a certain period of time or a certain period of sites, but does not recall the specifics and believes it is outlined in the letter (*Id.* at 35-36:2-4). Buckingham states that he believed the rates were good for the time

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period and the reporting to be beneficial (*Id.*) O'Connor spoke of placing ads, targeting customers based on their ability to interpret the TCP/IP address, job types through some kind of software (*Id.* at 39:5-18). Buckingham states that it was a sales call and that he did not provide O'Connor with any advice about running his company or helping O'Connor gain a better understanding of whether Internet advertising would be important (*Id.* at 40-41:2-1).

Buckingham stated that O'Connor spoke of sponsorship for his company or technology and in return they would guarantee them so many targeted ads and reports on feed or click-throughs during the telephone conversation but did not say what sponsorship meant and he looked at it as just a way of getting some targeted ads on the Internet and not as being particularly meaningful (*Id.* at 34:2-16). During the phone conversation Buckingham agreed to become a sponsor (*Id.* at 38:4-11) and that he never expected to get the letter and does not recall asking for a proposal but rather that they would do the work in conjunction with what they had spoken about and be invoice (*Id.* at 48:16-7; 72-73:15-8; Buckingham discussing that while it might be possible that he requested a written proposal, he recalls agreeing to it right on the telephone because he was substantially under budget on advertising and it wouldn't have been unusual in light of the circumstance to make a \$20,000 commitment with a vendor that he knew, knew the vendor's reputation, knew that he was interested in the product; O'Connor on the other hand does not recall anything of substance about the conversation regarding these issues, see discussion above). The facts are consistent with an arms-length commercial sale. For a complete discussion see the Commercial Offer for Sale Section.

There is no evidence anywhere that the purchase was for a trial product or that Buckingham was investing in an experimental product. Even the confidentiality clause in the



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letter memorializing the conversation, is in terms of the agreement remaining confidential not any aspects of the technology. The terms of the agreement are merely what Attachmate and IAN agree to do for each other. There is no evidence of a non-disclosure agreement between the parties. The letter, memorializing the conversation, as set forth above, specifically states, "I enjoyed our discussion last week and am pleased that you will be one of our initial advertising sponsors." As set forth above, Buckingham goes through each of the 6 items and remembers parts of discussion on all but the confidentiality. As for pricing, it states that Attachmate will receive most favorable pricing but does not indicate that they will be receiving a discount and IAN is receiving consideration for this favorable pricing from Attachmate.

The first prong of the Pfaff test for establishing an on-sale bar to issuance of a patent involves a determination of whether a commercial offer for sale has occurred, applying traditional contract law principles. This analysis has been set forth above in the Commercial offer for Sale Section. It also involves an assessment of whether the circumstances surrounding the transaction show that the transaction was not primarily for purposes of experimentation and is being treated under the Experimental Use Section. This has been briefly summarized above and will now be treated in depth. In assessing experimentation, the United States Court of Appeals for the Federal Circuit has considered a number of factors, not all of which may apply in any particular case. These factors include (1) the necessity for public testing, (2) the amount of control over the experiment retained by the inventor, (3) the nature of the invention, (4) the length of the test period, (5) whether payment was made, (6) whether there was a secrecy obligation, (7) whether records of the experiment were kept, (8) who conducted the experiment, (9) the degree of commercial exploitation during testing, (10) whether the invention reasonably

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requires evaluation under actual conditions of use, (11) whether testing was systematically performed, (12) whether the inventor continually monitored the invention during testing, and (13) the nature of contacts made with potential customers.

A showing that a patentee did not clearly communicate to the buyers that the use was to be for experimental purposes makes recourse to experimental negation of the on-sale bar to issuance of a patent questionable. In this case, Applicants' did not clearly communicate to Mr. Buckingham and Attachmate that the use was for experimental purposes. Applicants' argue that the Attachmate Letter (DX38) communicates to Mr. Buckingham and Attachmate confirms the experimental nature of the proposed arrangements because it discusses using their own web site as the first test web site for "IAN" and that this test web site would be used to contribute information used to help develop ad targeting techniques. Actually what the letter states is that IAF will "contribute 'intelligence' (i.e. user names and more detailed demographics to IAN to **even further improve** our targeting techniques." [emphasis added]. This statement strongly implies that IAN can already target ads and they are just testing it on their web site to improve its abilities. Applicants' further argue that because the letter refers to utilizing click-throughs to help develop a targeting profile, since the targeting software was not developed that this means that they communicated to Mr. Buckingham that he was participating in an experimental project/use. However, that is not what items two and three state. In fact, item three specifically states that when the targeting software **is completed** not when we have a beta version or an alpha version but when the software is completed again evidencing that there was a sale of a product and not something subject to experimental use. Additionally, Nowhere in the Buckingham deposition is there any mention that this is being purchased as a trial or test product. O'Connor

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does state in his deposition that he was soliciting information from marketer confidentially and then he goes on to state that he contacted Buckingham. However, he never states that he specifically asked Buckingham to keep anything confidential. He further states that he **does not recall the specifics** of their conversation. O'Connor does state that Buckingham **may** have said I will set aside X dollars for testing something but we had nothing definite so I hung up and was **forced** to put together something **really definite**, i.e. the letter (DX 38) that Buckingham could dedicate money to. Yet despite the fact that O'Connor in his own words was forced to put something really definite together, the letter does not reflect that the sale of the product/process is experimental or that as an initial advertising sponsor, there is anything experimental in nature about the services Buckingham is purchasing. There is no evidence anywhere that the purchase was for a trial product or that Buckingham was investing in an experimental product.

Review of the Factors Under Allen Engineering:

(1) Necessity for Public Testing

Applicants argue that there was a need for public testing because the present invention is directed to technology for third-party ad serving over the Internet – a publicly-accessible network with multitude of web sites. In order to determine whether the invention would work for its intended purpose in its intended environment, the inventors had to test the ability to serve third-party ads over the Internet upon request from users who are viewing web sites in real time. There is reports that show that targeted ads were being served over the Internet starting in October 1, 1995 (DX 31, DX32). Applicants' assert that these are mock-up reports or a prototype of what they might have wanted to implement (Merriman Dep. 270-273). However, when asked if he specifically recalls whether they sent any targeted ads over the internet during

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that time frame he can not specifically recall and can not document that such an event did not occur because they did not have version control, which would have tested targeting and frequency control (*Id.*). Applicants' inability to recall or remember if any targeting did occur is not persuasive and their inability to produce documentation is not persuasive. Additionally, Merriman's own Declaration states that "If we had used any aspect of our technology on the Internet prior to October 29, 1995, it would have been purely in an experimental way." (Merriman Dec. at 48). Thus, he is not denying that testing did not occur on the internet prior to the critical date, just that they can't say or document what it was. There is a strong indication that this testing did not need to be done. Applicants also indicate that they needed to perform a stress test to determine the ability to satisfy demand. The Merriman Dec. states that the stress testing was to satisfy high demand and that is not the same as determining if the invention is complete to work for its intended purpose and is not a claimed aspect of the invention. Thus, the examiner does not consider this test to be necessary.

Knott speaks of the interconnectivity problems but there is no evidence that this testing was not accomplished in October 1995 (Merriman Dec. 48). He merely states that they were far away from a production system.

Knott again speaks of the system serving ads for a site different from those hosting desired content pages and the need for selection and delivery of ads in a quick and efficient manner.

Applicants' have admitted that they had a functioning prototype in September 1995, built the initial targeting database by October 1995, established an internet connection by October 1995 and testing link messages by September 1995 (Merriman Dep. 44:46).

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IAN/IAF was already serving targeted ads during October 1, 1995-November 12, 1995 for ISS. IAN/IAF generated advertising reports for ISS test ads reflecting that IAF/IAN was serving ISS ads during the October 1, 1995 through November 12, 1995 time frame (DX 31, 32). These advertising reports also contain detailed information relating to targeting issues, such as ranking response rates by user characteristics, such as, "Domain Type," Industry Type," and User Interests," and include a chart that summarizes "Savings Realized by Targeting" (DX31, DX32). Undated screen prints of IAN's web pages that include ISS ad banners at the top of the page confirm that IAN served ads for ISS in late 1995, early 1996 (DX 114, 115).

In mid-December 1995, O'Connor and Merriman demonstrated IAN's central ad serving capability for Tom Wharton, Poppe Tyson's CFO (Wharton Dep. 50:5-51:25). It was Wharton's impression, based upon his conversations with O'Connor and Merriman as well as his own observations, that the IAN ad server had been function for some period of time (*Id.*). According to Wharton it had been up and running for three to six months, and O'Connor and Merriman had done a substantial amount of work in building its applications (*Id.*).

As previously discussed, the IAN/IAF was complete and not in the experimental phase prior to the critical date (DX2, DX16). It had been reduced to practice, targeted ads sent. It is noted that on Page 10 of the IAF Business Plan they state that in order to implement and manage the IAF product described above, we will hire one additional senior software developer as well as a system operations person over the next 2-4 months (DX2 at 048929). However, there are feature in the Business Plan that are not encompassed by the claims and that are specifically stated as not yet implemented by the system in the Business Plan, i.e. the Payable and Receivable and Receivable Processes, increasing the variables in the ID-DB (which was already finished in

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September see DX 16). In fact, IAF/IAN had developed a function ad serving prototype in September 1995 and as shown by the Examiner was delivering ads over the internet in October 1995. Applicants' Expert goes to great lengths to try to show how difficult it would have been for someone to design and implement a system like IAN/IAF but their own business plan disputes this (DX2). Under the Risks, they explicitly state that "even though implementation of IAF will be considerable, others can replicate our work in as little as 6-12 months (DX2 – DC048936).

There is no evidence of problems with the targeting of the prototype. Only the declarations that there is a necessity for public testing. However, there is evidence that ads were being served over the Internet in October. The evidence we have refuting this are the Declarations by Merriman and O'Connor. However, if you read their Deposition Transcripts, they are not as definite as to whether any targeted ads were sent out over the internet in October or whether they had a system that could serve an ad to a web site in September 1995 in fact when questioned specifically about the functioning DART system prior to October 1995 they refuse to answer. Their statements when asked the questions are filled with Not that I remember, I don't recall but I don't believe ... It is possible but I don't believe ... I am not sure what we did ... (Merriman Dep. 34, 205-208, 270-274; O'Connor Dep. 111-118, 276-279). While the report may be mock-ups or prototypes, the Business Plan does state that these reports had yet to be coded and would be done manually (DX2) it is still evidence that ads were being served during that time period and neither Merriman nor O'Connor positively refute the targeted ad serving only that the reports are probably hand generated. Additionally as to Applicants' contention that further refinements took place after the prototype and October ads being served indicating that it

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was still in the experimental stage, they were testing whether the ads were targeting and the rest of the evidence that would prove or disprove whether there was a need is no longer available from the Applicants' themselves and they can no longer remember what their system did in September and October 1995. Thus, there is no real evidence that there was or was not a system. Because there is documentary evidence, third party testimony and conflicting evidence from Applicants', I am persuaded that there was not a need for public testing. Additional conflicting evidence from Applicants' is the fact that they claimed to have a production ad server in December 1995 (DX111) and yet their other evidence states that they did not even have a beta/production version of IAN until January 1996 (Merriman Dec. 44; DX16).

Moreover, at least two of the claimed tests were not related to the claimed aspects of the invention, i.e. the stress test to determine the ability to satisfy high demand and testing the quickness of the ads served. These are optimizations of the invention and are more marketability tests.

See also discussions under Experimental Use and Commercial Sale.

(2) Amount of Control over the Experiment Retained by the Inventor

Applicants assert that since the inventors through their company conducted all of the testing of their ad serving technology they therefor retained control over all experimentation. The examiner respectfully disagrees and asserts that they did not retain sufficient control over the experiment. While the inventors conducted all of the testing of their ad serving technology, the evidence does not demonstrate that they retained control over the experiment. The experiment relied upon compliance of three distinct groups beyond the "control" of the inventors, the "users," the "content providers," and the "advertisers." Without such agreements, there is no

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control groups, no ability to test for the very problems that Applicants' have stated necessitated the public testing, i.e. targeting and frequency control, stress testing, testing the operability of ad targeted serving technology through the various hardware and software of the multiple parties, which is dependent upon Internet connectivity (Knott Report), and the ability to test the quickness. No evidence has been provided demonstrating Mr. Buckingham's or Attachmate's (or for that matter any other parties) agreement to participate in the experiments, i.e. contracts, non-disclosure agreements, etc. Thus, simply conducting all of the testing does not mean that the inventors kept sufficient control of the "alleged" experiment. "[A] use cannot be experimental if the inventor failed to maintain sufficient control over the invention and its testing." *Lough*, 103 F.3d at 1526, 41 USPQ2d at 1393; *Paragon*, 984 F.2d at 1187, 25 USPQ2d at 1565. *See also* Rooklidge and Jensen, 29 J. Marshall L. Rev. 1, 29 n. 144. Thus record in this case fails to show "sufficient control," by the inventors after the sale transaction was consummated.

### (3) Nature of the Invention

The examiner agrees with the characterization of the nature of the invention. However, the examiner disagrees with the last two sentences. See Examiner's discussion under Necessity for Public Testing, Experimental Use and Ready for Patenting.

### (4) The Length of the Test Period

Applicants' assert that the test period took place over a period of 3-4 months, beginning in December 1995 and continuing through the beta test in March 1996. The examiner respectfully disagrees. See the discussion under Necessity for Public Testing, Experimental Use and Ready for Patenting.

### (5) Whether Payment was Made



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Applicants' assert that the payment involved in the transaction at issue was not set according to any established commercial market for targeted ads serving. Applicants' further argue that Attachmate would be getting "favorable" pricing clearly indicating below market rates. The examiner respectfully disagrees with both characterizations. There was a draft rate sheet attached to the letter, which was never provided, however, it set forth how the ads would be priced. Thus, the payment while the actual formal format of the transaction was not set clearly there were pricing parameters and it was just a matter of seeing how the targeting results came out and then planning a strategy. As to Attachmate receiving below market rates, the letter does not indicate that the rates are below market just that Attachmate is getting "favorable" pricing. In most industries and businesses, there are different pricing structures for different clients. For example, in the architectural community, if you have a new client and the potential for repeat business or that client has the ability to generate other clients, they often receive a "favorable" rate. In Attachmate's instance, IAN is new to the industry, trying to generate clients, Attachmate has promised to participate in their public announcement, to be included in collateral material/press releases, and even to pay by all of the money by a specific date, whether or not all of the advertisements have been delivered. Thus, IAN is receiving a benefit for the "favorable" pricing that it is allegedly providing. Additionally, Applicants' have not provided any evidence to show that Attachmate received any sort of a discount, i.e. bills from other customers and a comparison. IAN alleges that 10 companies participated in the beta test, there should be some evidence to compare. Attachmate was invoiced and did pay for the targeted advertising and before it was delivered in December 1995 (O'Connor Dep. 259-260).

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Additionally, Applicants' note that there were at least 10 other companies involved in the beta test and other companies involved in the alpha test. The only company that they provide any evidence regarding payment is ISS, who did not pay for the services. They provide no evidence regarding any of the other corporations or whether they paid for the targeted advertising services.

Thus, the evidence that we do have supports payment for targeted advertising by Attachmate via an invoice for a non-experimental product at a non-discounted price. See also discussions under Commercial Offer and Experimental Use.

(6) Whether There was a Secrecy Obligation

Applicants' allege that there was a secrecy obligation because the transaction was to remain confidential until such time as there was a public announcement of IAN pursuant to the letter. However, Even the confidentiality clause in the letter memorializing the conversation, is in terms of the agreement remaining confidential not any aspects of the technology. The terms of the agreement are merely what Attachmate and IAN agree to do for each other. There is no evidence of a non-disclosure agreement between the parties. The letter, memorializing the conversation, as set forth above, specifically states, "I enjoyed our discussion last week and am pleased that you will be one of our initial advertising sponsors." As set forth above, Buckingham goes through each of the 6 items and remembers parts of discussion on all but the confidentiality.

Thus, there was no secrecy obligation pertaining to the technology. There is no evidence of any other secrecy obligations during any of the other testing. There is not even any evidence of secrecy obligations within the company itself. There is no evidence that any of the employees had to sign non-disclosure agreements, nor were any such documents provided.

(7) Whether Records were Kept

Applicants do not even address this factor. The record shows that for the September – October 1995 critical period no real records exist. Additionally, there do not appear to be any real records demonstrating anything about the testing at all except a few e-mails stating that they targeted ads and performed or are going to perform the tests. There are no records of how the tests were performed, the outcomes, whether changes to the program needed to be made, etc. Merriman himself addresses the fact that he could not provide any documentation about any of the coding during the critical period as they had not implemented a source code version control system (Merriman Dep. 272-273:14-4). However, we are not provided with any information regarding debugging, software implementation protocols, testing protocols, etc. Applicants' mention bugs but fail to provide any evidence linking them to the claims in the invention, provide any documentation, etc. For all we know, the bugs could be directed to specific ads or features not claimed or towards optimizations not necessary for the program.

(8) Who Conducted the Experiment

Applicants' state that the inventors through their company conducted all testing of their ad serving technology. In so far as any alleged testing occurred, the examiner accepts this assertion. However, see discussion under Necessity for Public Testing, Amount of Control Over the Experiment Retained by Inventor and Experimental Use. From the record we have before us, assuming that there were even different versions, we don't even know if there were any changes between the prototype, the alpha version, the beta version, etc. Applicants allege that there were bugs with the beta version but not what types and if they pertain to the claims of the invention,

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they attach no exhibits or explanations. The bugs could be directed to optimizing features or specifics ads or any one of a number of other items not claimed.

(9) Degree of Commercial Exploitation During Testing

Applicants' argue that there was no commercial exploitation based upon the Declaration because they did not receive money from one of the customers, ISS. The Examiner notes for the record that ISS refused to participate if they had to pay, that O'Connor served as a VP and was on the Board of ISS as well as an investor in the company, i.e. this was not an arm's length negotiation like Attachmate. However, they received \$10,000 from Attachmate for targeted advertising and if we believe that the beta-testing continued into March 1996 and accept the facts of the O'Connor Declaration, there were 10 companies participating in the beta-testing. There is absolutely no testimony about these companies and whether or not they were paying for targeted advertising and if they knew that they were paying for a beta test. Applicants' have had ample opportunity to submit such evidence but have failed to so. Thus, we are left with the fact that these other companies are out there and if they are "sponsors" have in all likelihood paid for the services.

Thus, as Applicants' have failed to provide any evidence to the contrary and Attachmate paid for a commercial product, commercial exploitation occurred during the testing. See discussion under Commercial Offer and Experimental Use.

(10) Whether the Invention Reasonably Requires Evaluation Under Actual Conditions of Use

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Applicants' use the same arguments used under the Necessity for Public Testing and Nature of the Invention. Thus, the Examiner respectfully directs attention to the discussion under those sections.

(11) Whether the Testing was Systematically Performed

Applicants' do not discuss whether the testing was systematically performed. All they state is that the initial testing by the inventors showed that the concept could work, and once the software was developed, the inventors through their company conducted beta testing. Even assuming the facts as alleged, this does not show in any way shape or form that the testing was systematically performed. There are no records documenting how the tests were performed on the system, whether there was a specific need to perform them on specific versions, whether they were performed on those versions at specific intervals and repeated with controls, when some of the tests were performed or the duration. There is no documentation showing whether the tests followed any known protocols for these tests, whether any coding needed to be done in response and a repeat of the tests performed. See the discussions above. Thus, the examiner is not persuaded that the testing was systematically performed as no records or documentation have been produced. It is even disputed as to when the initial testing showed that the concept could work and when beta testing vs. a production version was in place.

(12) Whether the Inventor Continually Monitored the Invention During Testing

Once again all we get from Applicants' declaration is that their company performed the testing and observed the results. There is not one reference that any of the monitoring was continual. The e-mails referenced state that we ran the ads. We got results. Not that we ran the ads and monitored the program as the ad server targeted and implemented the program. There is

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no evidence that the Inventors continually monitored the invention. Even with the reporting, there is still the evidence that they did not have a source code verification program in place during the initial stages and there is no evidence as to when one was implemented. See discussion above.

(13) Nature of Contacts Made with Potential Customers

Applicants state that during testing in early 1996, the inventors through their company began soliciting web sites to participate in the beta test. The letter to Chris Buckingham states that O'Connor is "pleased that [Buckingham] will be one of our initial advertising sponsors." Obviously O'Connor was seeking more "sponsors" and implies that there are already more. Yet when he is specifically asked about people and companies, he contacted and when, he can not recall anything except ISS and Attachmate (O'Connor Dep. 244-248). O'Connor was even loaning money/an investor in ISS (DX106). As previously stated, ISS was an interested party and Attachmate was an arms-length negotiation. Additionally, Applicants' provide no information on the other companies that were part of the "beta" test. Thus, the only evaluation we have is that of Attachmate and ISS. Thus, O'Connor contacted plenty of potential customers. The nature of the contact was commercial. The only subject of debate is the follow-through. Interestingly, an e-mail from around the time of the "beta" test says "let's do all we can to land travel related advertisers and promote this site. **Do whatever you must** to land business for this site—their motto is "ask for forgiveness later". Every person should target 3 prospects and land one for the test (DX 80 – 3/1/96 e-mail re State of the Union Sales Meeting with a major sales force). There is no talk about disclosing to anyone that they will be part of a beta test. This e-

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mail shows that there should be information available to describe the nature of the companies participating and what the agreements were.

Thus, an inquiry into the nature of the relationship between IAN and its customers; for example, the amount paid to Ian suggests a purely commercial transaction, the lack of a secrecy obligation regarding the technology but not the transactional obligations, and the nature of contacts made with potential customers, i.e. commercial in nature and the fact that IAN failed to disclose to Buckingham that he was participating in an experimental venture demonstrates a prima facie case against experimental use. *In re Dybel*, 524 F.2d 1393, 1401, 187 USPQ 593, 599 (CCPA 1975) (stating that Appellant's failure to communicate to any of the purchasers or prospective purchasers that the sale or offering was for experimental use is fatal to his case).

In any event, even upon a closer examination of the circumstances of the sale, the Examiner has provided a prima facie case that the Buckingham sale was commercial in nature and not incidental to the primary purpose of experimentation thus satisfying the first prong of the Pfaff test and has also provided a prima facie case that the targeted ad system is an embodiment of the invention recited in at least one of the claims of the application, and that the second prong of the Pfaff test, the "ready for patenting" prong, was met at the time the sales were made. For the above reasons, it is believed that the rejections should be sustained.

#### **The Preponderance of the Evidence Standard**

In *In re Caveney*, 761 F.2d 671, 226 USPQ 1 (Fed. Cir. 1985), the Federal Circuit upheld an examiner's rejection under 35 U.S.C. § 102(b) because the appellants offered to sell the claimed invention more than one year before filing. The court having considered the PTO's standard of proof required to set forth a prima facie case concluded that "preponderance of the

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evidence is the standard that must be met by the PTO in making rejections ...” *Caveney*, 761 F.2d at 674, 226 USPQ at 3. The Court in *Caveney* noted that although there was conflicting evidence of the offer for sale and the PTO had not established its case by clear and convincing evidence, the Court, nevertheless concluded that the PTO met its burden. “Although the above-related activities may not be clear and convincing evidence of facts that show the claimed invention was offered for sale, we are satisfied that they establish such facts by a preponderance of the evidence.” *Caveney*, 761 F.2d at 675, 226 USPQ at 3.

The reasoning behind this result is quite simple. Issued patents have a presumption of validity acquired under 35 U.S.C. §282. Thus, invalidity of issued patents under any statutory provisions requires proving such facts by clear and convincing evidence. Ex parte examination, on the other hand, has no presumption of validity, see *In re Etter*, 756 F.2d 852, 225 USPQ 1 3-6 (Fed. Cir. 1985) (en banc), allowing the USPTO to establish such facts by only a preponderance of the evidence. Because of these differing standards, the Examiner concludes that an offer of sale under 35 U.S.C. §102(b) is *easier* to establish during ex parte examination than it is to establish during infringement. The Court in *Caveney* having properly recognized this distinction noted:

From *In re Etter*, 756, F.2d 852, 225 USPQ 1 (Fed. Cir. 1985) (en banc), it is apparent that, due to 35 U.S.C. §282, the standard of proof required to properly reject the claims of a patent application is necessarily lower than that required to invalidate patent claims. *Caveney*, 761 F.2d at 674, 226 USPQ at 3.

While *Caveney* applied to §102 and the on sale bar, the reasoning from *Caveney* applies equally to anticipation under 35 U.S.C. §102(b) and, for that matter, *any* statutorily mandated requirement (*i.e.* 35 U.S.C. §§ 101, 102, 103, 112, etc.). This reasoning behind applying *Caveney* to all statutorily mandated requirements is because such requirements are the only



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requirements which receive the presumption of validity upon issuance.<sup>6</sup> Therefore, the standard the USPTO must meet to set forth a prima facie case before such presumption applies is only a preponderance of the evidence. In this case and in light of the fundamental principle, the claims in conjunction with the evidence and analysis herein provide ample evidence to support a conclusion that there was an offer of sale under §102(b) and that the claims are anticipated by the product FocaLink under §102(b).

***Consistent with the Administrative Procedure Act & USPTO Policy***

On a procedural matter, the Examiner notes that because the USPTO must follow the Administrative Procedure Act (“APA”)<sup>7</sup> the standard for review of USPTO factual determination *on appeal* to the Federal Circuit is now “substantial evidence”<sup>8</sup> and not the ‘clearly erroneous’ standard as set forth in *Caveney*. However, because the standard the USPTO must meet to establish a prima facie case remains unchanged by *Gartside*, *Caveney* remains controlling on this point. Thus, the preponderance of the evidence standard is appropriate.

Furthermore, the examiner’s position that the ... is also consistent with USPTO policy. See MPEP §706 which states in part: “The standard to be applied in all cases is the ‘preponderance of the evidence’ test. In other words, an examiner should reject a claim if, in view of the prior art and evidence of the record, it is **more likely than not** that the claim is unpatentable. [Emphasis added.]” MPEP §706. This must include rejections under §102(b) offers for sale.

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<sup>6</sup> See *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1570, 1 USPQ2d 1593, 1595 (Fed. Cir. 1987) stating that the presumption mandated by §282 is applicable to all of the many bases for challenging a patent’s validity).

<sup>7</sup> See *In re Lee*, 277 F.3d 1338, 1342, 61 USPQ2d 1430, 1432 (Fed. Cir. 2002) (“Tribunals of the PTO are governed by the Administrative Procedure Act”) citing *Dickinson v. Zurko*, 527 U.S. 150, 50 USPQ2d 1930 (1999).

<sup>8</sup> *In re Gartside*, 203 F.3d 1305, 1316, 53 USPQ2d 1769, 1776 (Fed. Cir. 2000).

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Appellants cites cases throughout their Brief stating various positions of law. Of all those cases, Appellants fail to rely on ex parte examination case(s). All cases cited by Appellants are inter partes infringement suits where offers for sale and anticipation under §102(b) must be proved by clear and convincing evidence. And as noted repeatedly above, that is not our case. Moreover, many of the cases cited under the Commercial Offer for Sale Section for the proposition that there is no coming offer of sale when discussions lacked certain specifics were District Courts cases and are not binding upon this Board.

Respectfully submitted,

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February 8, 2004

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